



MAGIC VALLEY

BLAINE, CAMAS, CASSIA, GOODING, JEROME, LINCOLN, MINIDOKA, & TWIN FALLS COUNTIES

EMPLOYMENT TRENDS

The seasonally adjusted unemployment rate for the Magic Valley Labor Market Area (LMA) in May was 4.0 percent. This was two-tenths of a percentage point higher than April 2004 and four-tenths of percentage point higher than in May 2003. Year-over-year, the *Civilian Labor Force* grew by 3,830 workers or 7.1 percent. This is an indicator of job growth and also supports the jump of 5,080 *Nonfarm Payroll Jobs* from May 2003. The unemployment numbers also indicate stability since few workers left the workforce.

Many sectors have shown strong growth. *Construction* grew a remarkable 43.8 percent, or by 880 jobs, year-over-year. Overall economic growth, along with an increasing number of new businesses and new homes primarily in the City of Twin Falls, has contributed to the growth in *Construction*. While a good deal of the new home buying was caused by extremely low interest rates, many new homes were the result of in-migration, which occurred as new businesses moved into the area. The *Manufacturing* sector also had some positive news with an overall gain of 7.0 percent, or 340 jobs, year-over-year. The largest contributor in that sector was in *Manufacturing-Food Processing* with a gain of 21.1 percent. Milk prices have nearly doubled from 2003 to 2004; local cheese factories are primarily responsible for this healthy gain. Other sectors with significant increases were *Retail Trade*, *Wholesale Trade*, *Professional & Business Services*, and *Educational & Health Services* with gains of 14.9, 10.2, 14.6, and 19.7 percent, respectively. Other than *Natural Resources & Mining* that in South Central Idaho generally means rock extraction and crushing, no sectors showed losses and that sector lost only 10 jobs due to new technology and streamlining.

Indicators show that the South Central Idaho economy, primarily in the western Magic Valley, is extremely strong. However, there are some factors that could quickly change the positives into negatives. The main issue is water, or lack thereof. South Central Idaho is enduring its sixth straight year of below normal water and the situation is classified as extremely critical. The winter of 2003-2004

Magic Valley Table 1: Labor Force & Employment
Twin Falls, Jerome, and Gooding Counties

	May 2004*	Apr 2004	May 2003	% Change From Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	57,590	57,500	53,760	0.2	7.1
Unemployment	2,280	2,210	1,920	3.2	18.8
% of Labor Force Unemployed	4.0	3.8	3.6		
Total Employment	55,310	55,290	51,840	0.0	6.7
Unadjusted					
Civilian Labor Force	57,870	56,650	53,980	2.2	7.2
Unemployment	2,160	2,540	1,800	-15.0	20.0
% of Labor Force Unemployed	3.7	4.5	3.3		
Total Employment	55,710	54,110	52,180	3.0	6.8
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs**	45,190	44,400	40,110	1.8	12.7
Goods-Providing Industries	8,090	7,810	6,880	3.6	17.6
Natural Resources & Mining	20	20	30	0.0	-33.3
Construction	2,890	2,520	2,010	14.7	43.8
Manufacturing	5,180	5,270	4,840	-1.7	7.0
Food Manufacturing	3,670	3,570	3,030	2.8	21.1
Other Manufacturing	1,510	1,610	1,810	-6.2	-16.6
Service-Providing Industries	37,100	36,590	33,230	1.4	11.6
Trade, Transportation & Utilities	10,790	10,170	9,650	6.1	11.8
Wholesale Trade	1,950	1,900	1,770	2.6	10.2
Retail Trade	6,690	6,280	5,820	6.5	14.9
Utilities	270	250	210	8.0	28.6
Transportation & Warehousing	1,880	1,740	1,850	8.0	1.6
Information	560	500	500	12.0	12.0
Financial Activities	1,770	1,740	1,770	1.7	0.0
Professional & Business Services	6,130	6,410	5,350	-4.4	14.6
Educational & Health Services	3,830	3,790	3,200	1.1	19.7
Leisure & Hospitality	3,690	3,650	3,430	1.1	7.6
Other Services	1,520	1,520	1,480	0.0	2.7
Government Education	4,230	4,230	3,700	0.0	14.3
Government Administration	4,580	4,580	4,150	0.0	10.4

*Preliminary Estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

started out very promising in terms of precipitation, but an extremely warm March caused the runoff to begin early. In addition, the parched mountain soil absorbed a great deal of the moisture before it could reach reservoirs. Many canal companies have either had shutdown days or have implemented some form of water reduction. The Northside Canal Company that serves Jerome County and others plans a shutdown of five to seven days in September in the hope that adequate water will remain for late season irrigation of long duration crops such as sugar beets and potatoes. Already significant crop damage on late-growing crops is predicted for the Hunt Area (an area north of Eden and Hazelton that stretches about 8-10 miles east to west) and parts of Gooding County.

The next major factor that could significantly impact the local economy also involves water. This issue is groundwater and the recharge of the Snake River Aquifer. The aquifer is the major underground water source that originates

with the Big Lost River in the Arco-Lemhi area and ends in the Hagerman area's Thousand Springs. This valuable water resource has been the reason for the dairy expansion of the 1990s and the growth of the aquaculture industry in Idaho. The aquaculture industry primarily involves trout production and South Central Idaho is the number one trout-producing area in the United States. However, both dairy and aquaculture use massive amounts of water. This, coupled with strong population growth and extreme drought, has caused water levels in the aquifer to drop at an alarming rate. Due to litigation that occurred in the early 1990s, water rights issues have become vitally important and some method of water conservation is imperative. In early 2004 the Idaho Department of Water Resources issued a water call to Northside water users that specified 26,500-acre feet of water had to be curtailed by April 1, 2004, meaning many of the recipients of the call would have to shut off wells. This included 25 dairies with over 125,000 cows and some municipalities. The measure would have been catastrophic to the local economy, but an eleventh-hour compromise allowed these entities to continue using wells. This issue is essential to the South Central Idaho economy and parties involved have less than a year to reach agreement on a water conservation plan. It is extremely important that South Central Idaho have a good winter with adequate water, and a fair and equitable water plan for all users or the damage to the economy could be severe.

SPECIAL TOPIC: Economic Development Success and Job Creation

Most economists agree that nationally and statewide an economic recovery is taking place. Overall consumer confidence has improved and new jobs are being created at a good pace. Yet upon closer inspection, the type of job growth that is occurring tempers the optimism in the economy. Many newly-created jobs are lower paying service and retail jobs. Economists point out that higher-paying jobs in such industries as technology and manufacturing are being lost to other countries, a practice known as outsourcing. American companies are eliminating domestic jobs and are sending manufacturing and technology jobs to other countries to save operating and human resource costs. Some economists and business leaders who have justified this practice say outsourcing results in cheaper consumer goods for Americans when the countries involved export products and services to the United States. Outsourcing is also taking place in Idaho, especially in the major MSAs such as Boise. Some general manufacturing, technology manufacturing, and associated support jobs have been outsourced, and are being replaced by service and retail jobs that pay much less.

However, South Central Idaho is not following this trend. At the time of serious economic recession in the United States that started approximately in 2000 and lasted until the latter portion of 2003, South Central Idaho continued to grow and expand, especially in the Magic Valley LMA of Gooding, Jerome, and Twin Falls Counties. Whole new sectors were created, especially in the area of technology, when Dell, Inc. chose to locate a major technical support center in Twin Falls. Although lower-paying service

and retail jobs grew at a fast rate, it was a market-driven expansion, which means when the economy is robust and workers are changing to new jobs with higher wages and better benefits, there is more discretionary income created and consumer demand for goods and services increases. This draws service and retail employers to the area.

What has been the result? From May 2003 to May 2004, there was an increase of 5,080 jobs in *Nonfarm Payroll Jobs* in the Magic Valley region. Of these, 2,340 were in occupations that typically have higher wages such as construction, health services, and government. While service and retail jobs combined for over half of the new jobs total, the trend of losing higher-paying jobs did not happen. The growth in retail and service was the result of growth in the economy and jobs in other sectors; it was not a substitute for jobs lost. This is atypical and not part of the perceived trend nationwide or statewide.

How did this happen? In 2000, the Lockwood-Greene Company conducted a study of the Magic Valley and, after assessing such elements as transportation, workforce, and available training, the company recommended certain types of employers that would be viable for the area. These included light manufacturing, technology, and food processing. As a result of this study, the Southern Idaho Economic Development Organization (SIEDO) was formed with the mission of marketing and recruiting these types of employers and working closely with the local economic development entities in a spirit of teamwork to promote the area. Ready teams were formed consisting of local experts in education, real estate, labor, engineering, and utilities. These teams would present information to prospective employers and assist SIEDO in attaining commitment from them. The area's workforce is known for its high aptitude and for exhibiting strong work ethics. The College of Southern Idaho is reputed to be one of the top community colleges in the United States with the ability to tailor training to fit any sector. The result was a combination of excellence that rivaled other sites and made the Magic Valley a viable place to locate businesses. Partnership with state agencies, from Governor Kempthorne and Idaho Commerce & Labor Director Roger Madsen down to the local level management teams and economists, were unique and intriguing to employers. Idaho business costs are low, which is a major incentive, and such programs as the Workforce Development Training Fund made the area competitive. Dell, Inc. chose Twin Falls, Idaho, over 3,300 cities, as did Veterinary Pet Insurance, a new business moving to Twin Falls that will employ hundreds. The Magic Valley area still lags behind in high wages, but improvement is noticeable. With this spirit of cooperation, the area that Idaho Commerce & Labor Director Roger Madsen said "refused to participate" in the recession is taking full advantage of the recovery to increase wages and benefits to the workers in the area.

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